

## Social Risks and Class Identification after the Financial Crisis in Korea\*

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*This study examines the experiences of social risks such as unemployment, decrease in income, decrease in property, weakening family bonds, deterioration of health and their effects on middle class identification, and self-identified social stratification during the Korean financial crisis. The financial crisis in 1997 fundamentally transformed the density of the middle class and middle class identification declined rapidly in Korea. This study has found that unemployment was the strongest factor to significantly reduce middle class identification. The association between social risks and self-ranked social stratum also reveal the negative impact of economic crisis. Social risks such as unemployment and the deterioration of health around the economic crisis turned out to be significant factors in Koreans lowering their own social stratum ten years after economic crisis. Job instability also had a lasting impact on being ranking themselves lower on the social stratum. This study concludes that after the economic crisis, employment, job stability and physical health conditions are significant factors to affect sustaining or elevating middle class identification and how Koreans rank their own social status.*

**Keywords:** Social Risk, Middle Class Identification, Self-ranked Social Stratum, Economic Crisis, Unemployment and Job instability

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## Introduction

The Asian financial crisis of the late 1990s had a profound impact on the middle class in Korea. However, to what extent and precisely how the middle class was affected by the crisis remains to be investigated (Hsiao 2006). The 1997 economic crisis greatly impacted Korean society as a whole, and the middle class in particular. The economic crisis struck suddenly for most Koreans, but there had already been many changes in Korean life during the 1990s. The downfall of socialist regimes, accelerating globalization, and the sway of neo-liberalism were just a few examples. These changes along with the economic crisis had a profound effect on the Korean middle class (Yang 2006).

The general proposition on the impact of the financial crisis on the middle class is that it influenced the speed and course of its formation and growth, but that the crisis did not altogether stop new members from entering it. It may have slowed down the development of various class segments, or may even have led to the shrinking of the new middle class but the middle classes as a whole did not disappear as some have speculated. The financial crisis has had a greater impact on the life chances of the middle classes in relation to upward mobility (Hsiao 2006).

Over the years, the Korean middle class has expanded through the country's economic development process. The middle class in Korea has been outcome of the rapid economic development since 1960s. Korea experienced steady economic growth until the financial crisis in 1997. As a consequence of rapid economic development over the past four decades, a large middle class has gradually emerged. In Korea the number of clerical, managerial, professional and technical workers, increased as fast as, industrial manual workers. The working class increased from a mere 8.9 percent in 1960 to 34.7 percent in 1990, and the middle class has grown threefold from 15.5 percent to 46.6 percent during the same period (Hong 1992). The social class in Korea that garnered the most benefits from the economic growth in the 1980s was the urban middle class. In short, the middle class enjoyed a significant improvement in its standard of living (Koo 1993).

Following the Asian economic crisis of the late 1990s, traditions and institutions of East Asian countries have come under strong pressure to change. The "East Asian model of capitalism," which emphasizes government intervention and long-term relationships instead of markets, has come to be regarded as a problem (Jung and Cheon 2006). The International Monetary

Fund (IMF) program applied to Korea consisted of three elements: (1) macro-economic retrenchment, (2) market opening, and (3) structural reform (Shin and Chang 2005). The financial crisis in 1997 fundamentally transformed the density of the middle class, in that the prospects of this class became less secure than ever before. The financial-cum-economic crisis affected the middle class in two ways. First, the number of middle class jobs was reduced by economic restructuring and structural adjustment with firms. The IMF demanded the Korean government to make four major reforms: financial sector restructuring, corporate sector restructuring, privatization of public corporations, and an enhancement of flexibility in the labor market. This resulted in the mass layoff of blue and white collar employees. Secondly, companies which barely escaped bankruptcy began to drastically reduce the number of employees to reduce labor costs. Thus, the portion of those in the middle income strata reduced drastically after the economic crisis (Shin 2010).

According to Shin's study, after the financial crisis, the reduction of the middle class jobs mostly took place in managerial and supervisory positions right after the financial crisis in late 1997. While job insecurity of the middle class was diminished, the job insecurity of the irregular middle class was maintained at a high level. The number of those in managerial positions returned to normal levels in 2000, but those who were dismissed could not return to their previous jobs. Mass layoffs of core members of the middle class fostered the public fears of the middle class collapsing right after the financial crisis. Now, the logic went, nobody could be safe from being laid off (Shin 2010).

Most studies on the middle class after the financial crisis in Korea agree that middle class polarization and collapse of the middle class were consequences of the crisis (Lee and Lee 2001; SERI 2006; Nam 2007; Hong and Kim 2008). According to recent studies after financial crisis, income distribution takes a sudden turn for a worse, meaning growing income inequality has brought about the "decline of the middle class" and "polarization of stratification" in Korean society (Lee and Lee 2001; Choi 2002; Cho 2005; Hong 2006; Hong and Kim 2008; Nam 2009b).

The impact of the economic crisis on the middle class was not reflected in a change in their absolute number or their objective attributes, but rather in their subjective identities and collective ethos. It has been observed that the middle class is much more status-anxiety driven: they express greater sense of insecurity and even a fear of losing status, and they are less upwardly mobile (Hsiao 2006). Class identification refers to subjective aspects of class

which may or may not coincide with objective economic class. Previous studies reveal that education, the occupation, and family income have independent effects upon class identification (Hodge and Treiman 1968). After the Korean economic crisis, the portion of middle class identification holders declined rapidly. Furthermore, people who regarded themselves as the members of the middle class decreased from 41 percent before the economic crisis in 1996 to 28 percent ten years after the economic crisis in 2007 (Nam 2009a).

An economic crisis is directly linked to an employment crisis and a social crisis. The fear about an economic crisis comes from the fact that the crisis will inevitably bring about unemployment and cause social dissolution. During such a period in Korea, economic crisis was the crucial factor underlying various social problems such as the dissolution of families, suicide and crimes (Lee 2004). The impacts of the economic crisis have produced various social risks such as unemployment, a decrease in income and property, increase job instability, and family disbandment (Park 2003).

The purpose of this paper is to analyze the relationship between middle class identification / self-identified social stratum and social risks with a special emphasis on the impact of the Korean economic crisis in 1997. First, this study examines the degree and range of social risks such as unemployment, decrease in income, decrease in property, and dissolution of family bonds. Second, it explores the effects of social risks on middle class identification and self-ranked social stratification around the financial crisis in Korea. This paper is particularly concerned with the question of which kinds of social risks around the economic crisis affect middle class identification and self-ranked social stratum. The findings of this research reveal the significant social risks which support or reduce middle class identification and self-ranked social stratum.

## Literature Review

### *Social Risks*

Social risks are defined as misfortunes causing income loss, such as illness, old age, unemployment, and industrial accidents (Esping-Andersen 1999). The development of welfare states was originally aimed at the public management of such social risks. In its ideal form, the main business of the welfare state was to provide for needs which were not adequately met

through the market-interruption of income (retirement, unemployment, sickness, or disability), and the mismatch between income and need during the life cycle (e.g. child endowment) or for needs where state provision was widely recognized as desirable (e.g. high-valued services such as health care or education) (Taylor-Gooby 2004).

Social risks are building blocks of welfare regimes. Some risks are purely random, but most occur with sociological regularity. These can be classified along three distinct axes; “class risks,” “life-course risks,” and “intergenerational risks.” The notion of “risk classes” implies that the likelihood of a social risk is unevenly distributed across social strata. The unskilled are particularly vulnerable to low earnings and unemployment. Social risks are also distributed unequally across the life course. Poverty is especially concentrated in childhood (particularly in large families) and in old age (because of a decline in earning). The life chances of some groups are systematically inferior. Such inequalities appear normally as “class risks,” but if they are also inherited, the problem is one of intergenerational risk transmission (Taylor-Gooby 2000). They can all be internalized in the family, allocated to the market, or absorbed by the welfare state, but it can easily be demonstrated that class and intergenerational risks require a welfare state solution (Esping-Andersen 1999).

In an ideal typical post-industrial society, economic growth rates are lower and more uncertain. Technological changes mean that stable employment in the manufacturing sector is no longer available on a mass scale, with implications for the job security of semi- and unskilled workers and for class structure and the political interests associated with it. Stricter competition promoted by economic globalization has advanced labor market flexibility (Taylor-Gooby 2004).

Comparatively speaking, the concept of risk has been less popular among social and public policy analysts in East Asia. Since the Asian financial crisis, “risk” was associated with political instability, economic uncertainty, and vulnerability (Chan et al. 2010). As the economic recession continues, social conflict is becoming a hot issue in Korea. Before the 1997 Asian financial crisis, social risk or social cohesion was not taken seriously in Korean society. It was only in the aftermath of the economic crisis of the late 1990s that social cohesion drew public attention.

According to previous studies, after the economic crisis the Korean labor market was composed of full-time workers, temporary workers, and day laborers, Female and elderly male workers increased after Korea’s economic crisis. In other words, the labor market’s heterogeneity grew and social

cohesion dwindled. Family conflict and divorce greatly increased as the heads of households lost their job. The increase of suicide, crime, juvenile delinquency was most likely in connection with the increase of unemployment, divorce, and social inequality since the economic crisis (Lee 2004).

A study by Keum and Cho (2001) using Korean Labor and Income Panels Study (KLIPS) in 1998 and 1999 suggest that the job retention rate of the Korean labor market during the economic crisis decreased to a level that the U.S. labor market has never experienced during the past two decades. Their comparison of two-year retention rates before and after the economic crisis suggest that job stabilities have been conspicuously aggravated, especially for cohorts of long tenure, irregular job, old age, service and sales jobs (Keum and Cho 2001).

Nahm's study (2002) examines the trend and the determinants of recurrent unemployment after the economic crisis. Actually, the rate of recurrent unemployment is still higher than before the economic crisis. Recurrent unemployment has been repeated among less educated male workers and among both younger and older workers, except those workers who have reached their prime. Nonstandard workers who moved out of unemployment are apt to be the victims of recurrent unemployment. This implies that nonstandard jobs rapidly increased after economic crisis, and functioned as a trap, not as a stepping stone in Korea (Nahm 2002).

The major post-crisis changes in Korea's labor market can be summarized as an increase in unemployment and reduced job creation, an increase in wage and income inequalities, and continued confrontational labor relations (Kim 2007). Skill-based technological change is one of the factors for the relatively poor employment conditions of the unskilled after the economic crisis. The increasing employment share of skilled workers accompanied with a rising wage premium for education implies that labor demand has shifted toward skilled workers (Shin 2007).

Widespread job insecurity, along with a worsening job market, has pushed Korean society into a corner. Due to uncertainties in society, people have been obsessed with the growth rate and real estate investment. This is because they have often witnessed people being driven into poverty the moment they lose their job, due to the insufficient social services designed to protect the unemployed and elderly (Shin 2010).

There are many recent studies on social risk in Korean society. They are focused on poverty, instability of labor market, the responsibilities of social welfare, and the role of the state, especially in the domains of families and

women (Song 2002; Kim 2006; Yoon 2006; Ju 2008; Chung 2009). When Korea confronted the financial crisis in 1997, the country's welfare policy systems were insufficient and underdeveloped, and under rapidly changing social and economic conditions, the government had to manage social risks (Ju 2008). Previous studies point out that social risks have proliferated widely in Korean society since the economic crisis in 1997. The increase of unemployment and job insecurity is two remarkable social risks that have emerged after the Korean economic crisis.

### *Class Identification*

Subjective class identification has been given a variety of meanings. For some it appears to be a substitute for class consciousness (cf. Hodge and Teiman, 1968; Guest 1974); for others it is treated as only a component or partial indicator of class consciousness (cf. Morris and Murphy 1966; Lopreato and Hazelrigg 1972; Jackman and Jackman 1973). Little distinction has been made between "class" and "status" consciousness, and class identification often has been used to cover both of these constructs. For example, Jackman and Jackman (1973) refer to subjective class identification as "the individual's perception of his own position in status hierarchy."

The study of class identity and awareness has a long tradition in stratification research (Centers 1949; Hodge and Treiman 1968; Vanneman and Pampel 1977; Jackman and Jackman 1983; Davis and Robinson 1988; Wright 1989; Hout 2008). Class identification is a subjective assessment of the way in which individuals define their social class position. Most people understand class labels (Jackman and Jackman 1983) and routinely place themselves in class categories (Moorhouse 1976; Wright 1985; Evans et al. 1992). Nevertheless, self-reports of social class are often poor measures of objective class position in most societies (Kelly and Evans 1995; Oddsson 2010). In this regard, it is a well-known finding that people often identify with the middle classes, regardless of their economic position (Evans and Kelly 2004).

Explanations for middle class identification among the working class extend back several decades. Goldthorpe et al. (1969)'s affluent worker thesis suggests that improved economic conditions in mid-20th century Britain lifted workers' perception of their class position in society. Recent research demonstrates that a substantial portion of people in high class positions also tend to see themselves as belonging to the middle class in both affluent Western countries (Kelly and Evans 1995; Oddsson 2010) and less affluent

countries in Central and Eastern Europe (Evans et al. 1992).

Particularly relevant to this “middle class” identity bias is “reference group theory,” which contends that people perceive their class standing by comparing themselves to others in their social environment. Some argue that when people make references to the “middle class” they tend to consider similarities in consumption patterns rather than production relations (Clement and Myles 1994). From this view, many working class people identify with the middle class because they perceive that they have a very similar life style. People may simply be less concerned with occupational differences and more concerned with economic rewards (Andersen and Cutis 2012).

Wright (1997) surmises that economic development may influence class identity and consciousness. Kikkawa (2000) provides a similar explanation for a decline in class identification in Japan that corresponded with a period of vast economic growth. He described the situation as people having lost sight of rational judgment for class identification because of high economic growth. According to Seiyama (1990), the rapid expansion of the economic pie brought about by high level growth from the 1950s on gave rise to a shared attitude towards affluence and led to an increase in middle consciousness (Shirahase 2010). Evans and Kelly (2004)’s examination of class identification in 21 nations between 1987 and 1998 reveals that economic prosperity strengthens people’s sense of “upper class” identification. On average, regardless of their economic position, people in richer countries tend to report higher in the class hierarchy than do people from poorer countries. Evans and Kelly (2004) tentatively conclude that living in more affluent societies might raise people’s subjective images of their place in the class structure. Economic growth can generate higher expectations for consumption and social mobility, especially among those in lower classes (Logan 1977).

A study on economic inequality and class identification in Japan (Shirahase 2010) reveals that by the 2000s, middle class identification was not particularly strong; what characterized Japan instead was a great divergence between attitudes towards class identification and the actual level of the income gap. Japanese young people in particular identified with this at a significantly lower level than other age groups. Economic stagnation in Japan has since directly affected young people who find themselves in a weak position in the labor market and unemployment, and the lack of standard work among young people is an important social priority in Japan (Shirahase 2010).

A previous study on the determinants of class identification suggests that occupation has traditionally been regarded as a key element of socioeconomic status in U.S., and an evaluation of how Americans assign occupations to classes constitute a basic step in assessing their understanding of social class terms (Jackman 1979). Vanneman and Pampel (1977) conclude that occupational prestige is more a middle-class concern, with little importance for manual workers. Hodge and Treiman (1968) reveal that education, the main earner's occupation, and family income have independent effects upon class identification and indexes based upon the occupational level of one's class identification, which are no less important than those made by education, occupation, and income. Thus, class identification rests not only upon one's own location in the status structure but upon the socioeconomic level of one's acquaintance. Ishida (2003) has studied the extent to which class identification in Japan, the U.S. and Germany can be explained by objective indicators such as level of education, social status and income. In Japan, as in Germany, class identification can largely be explained by social position represented by occupation and education, and the level of education is found to have the greatest impact on class identification among Americans (Shirahase 2010).

Previous studies on class identification in Korea found that the determinants of class identification are occupation, income, education (Kim and Choi 1983; Chang 1996), and that class identification is associated with possessions of specific items of consumption (Cha 1997). A recent study reveals that middle class identification declined rapidly after the economic crisis in 1997 (Nam 2009b).

The main purpose of this paper is to explore the influences of the economic crisis on class identification in Korean society since 1997. This paper asks to what extent people have experienced social risks during and around the economic crisis. Moreover, the paper is concerned with the question of which kinds of social risks around the economic crisis significantly affected class identification and self-ranked social stratum. In this research, multiple indicators of subjective social status are analyzed (Kluegel 1977). Multiple indicators approaches are demonstrated by comparing the regression of the single-item measure and a composite measure of subjective class on education, income, occupational status, and property. This analysis reveals that consistent social risk factors affect the multi-dimensional self-ranked social strata.

## Data and Measure

### *Sample*

The data used here were collected by nationwide survey carried out in 2007 as a public survey on the social changes occurring after financial crisis. Face-to-face interviews were conducted with males and females aged 19 and above over a period of two weeks in September 2007. The total functional sample size was 1,005. The sample was selected through a process of multi-stage area cluster sampling. The survey was conducted by the Institute for Social Development and Policy Research (ISDPR) at Seoul National University. Table 1 in the Appendix shows the descriptive statistics of the survey target population.

### *Variables*

#### *Social risks*

Social risks were measured by various life events that the respondents or their family members experienced around the financial crisis in 1997. These included social risks such as income decline, decrease in property, unemployment, business bankruptcy or credit delinquency, job instability, deterioration of one's health, depression, and family disbandment.

#### *Class identification*

To measure the respondents' subjective social status, the study used two variables that indicate multidimensional aspects of subjective social status: middle class identification and self-ranked social stratum. Middle class identification was measured by whether the respondents regarded themselves as a member of the middle class. Self-ranked social stratum was measured by sense of belonging among the 10 levels of social stratum from the lowest stratum (score 1) to the highest stratum (score 10) in Korean society. This paper analyzed the multiple self-ranked social strata. Multiple self-ranked social strata included single and composite measures of subjective social strata, which indicated social ranks on income, property, occupational status, and education or culture.

#### *Class*

Class was divided into three categories. The literature identifies four

categories of class: the upper middle class (the upper stratum of the middle class: professional, managerial workers), the new middle class (white-collar workers), and the old middle class (petite bourgeoisie: the self-employed, and small-scale employers), and the working class. However, for the purpose of this analysis, this paper treated the upper middle class and the new middle class as a single group because of the small size of the sample. For regression analysis, the class variable was converted to dummy variables, taking the working class as the reference category.

## *Results*

### *Descriptive Statistics*

Of the 1,005 respondents analyzed, 49.7 percent were men (N=499) and 50.4 percent were woman (N=506). In terms of age groups, the sample consist of 22.4 percent (N=225) individuals in their twenties, 24.2 percent (N=243) in their thirties, 22.4 percent (N=225) in their forties, and 31.0 percent (N=312) in their fifties and over. In terms of education, approximately 42 percent of the respondents received a college education or more. In terms of class group categories, the sample consisted of 1.3 percent (N=13) from the upper middle class, 17.5 percent (N=176) from the new middle class, 25.7 percent (N=258) from the old middle class and 18.6 percent (N=246) from the working class. Since the sample size for the upper middle class was too small, we combined it with the new middle class category. The other category (31.0 percent; N=312), which included the unemployed and housewives, was excluded from the class classification.

### *Social Risks around Financial Crisis*

Economic crises and recessions harm people economically, such as decreases in income and property, unemployment and withering economic activities in their everyday life. Such negative life events influence the individual's everyday life, and at the same time cause various social problems and negative societal effects. Thus, economic crisis often leads to increased social pathology cases such as depression or desire to die, family dissolution, deterioration in health, credit-delinquency, and crime.

The life events around the financial crises are based upon responses to the question, "Did you or your family ever experience the following life events, such as decrease in property, income decline, unemployment, family disbandment (divorce, separation, or leaving home), bankruptcy or credit-delinquency, a deterioration of health, depression or desire to die around the

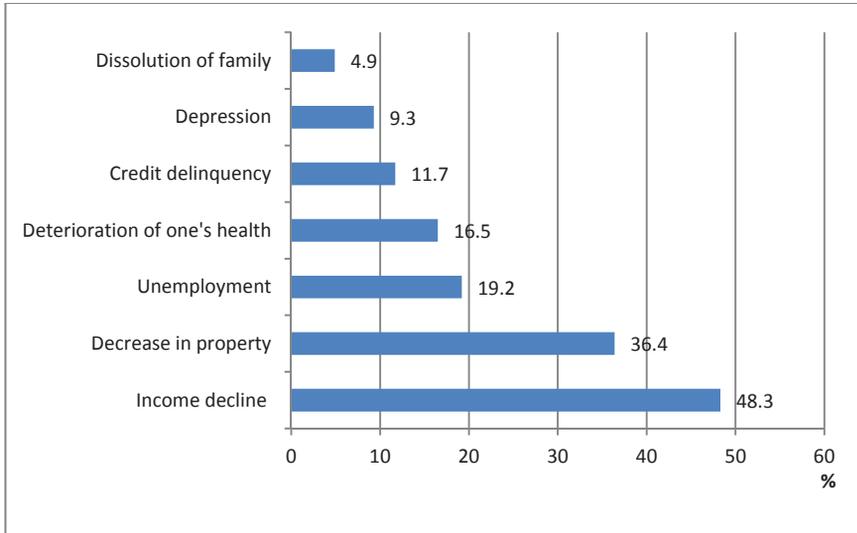


FIG. 1.—Social Risks around the Financial Crisis

economic crisis?” The results of the interviews showed that 48.3 percent mentioned income decline, 36.4 percent mentioned a decrease in property, 19.2 percent mentioned unemployment, 11.7 percent mentioned bankruptcy or credit-delinquency, 16.5 percent mentioned deterioration of health, and 9.3 percent mentioned depression or a desire to die. Those who have never experienced such negative life events amount to about 40 percent of the respondents, while the rest of those surveyed experienced at least one misfortune in their own or family members’ life around the financial crisis.

The accumulation of social risks among people was a noticeable result of the survey; various social risks, such as decrease in income and property, unemployment, family dissolution, deterioration in one’s health, credit-delinquency, and depression overlapped at the same time in individual and family lives around financial crisis. The portion of people who experience three and more social risks at the same time was the highest (22 percent), followed by those with two social risks (19.6 percent). The portion of people who experienced only one social risk displayed the lowest level (17.1 percent). Thus, almost 42 percent of the respondents suffered from two or more social risks around the financial crisis.

Table 1 shows the mean number of social risks by age, education, household income and class. In terms of age group, people who are in their forties have experienced the widest scope of social risks, and respondents in

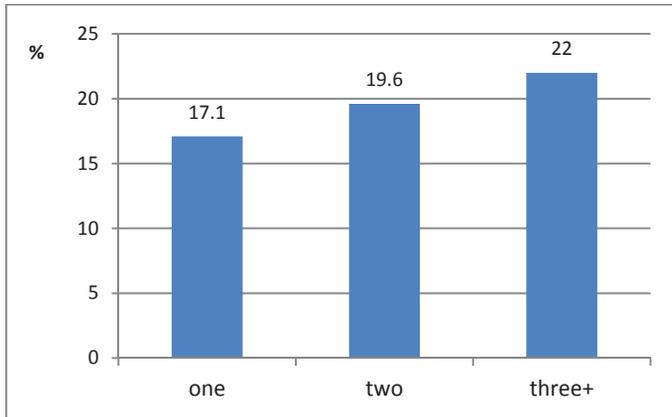


FIG. 2.—Number of the social risks around the financial crisis

TABLE 1  
MEAN NUMBER OF SOCIAL RISKS BY AGE, EDUCATION, HOUSEHOLD INCOME, AND CLASS

Social groups	Categories	Mean number of social risks (SD)	F
Age groups	20s	1.23(1.63)	4.103**
	30s	1.33(1.62)	
	40s	1.73(1.79)	
	50s	1.53(1.61)	
Education groups	Middle school education or less	1.63(1.65)	1.729
	High school education	1.48(1.72)	
	College education or more	1.36(1.63)	
Household income groups	Less than 1 million won	1.85(1.86)	7.853***
	1 million won ~ less than 2 million won	1.80(1.69)	
	2 million won ~ less than 3 million won	1.31(1.59)	
	3 million won ~ less than 4 million won	1.93(2.04)	
	4 million won ~ less than 5 million won	1.02(1.22)	
	5 million won or more	1.23(1.67)	
Class categories	New middle class	1.41(1.81)	.473
	Old middle class	1.48(1.55)	
	Working class	1.56(1.67)	

their thirties or twenties have experienced the lowest social risks. Thus, the older have suffered from more social risks than the younger generation. A comparison of the mean number of social risks between household income categories reveals that people who earned less than two million won experienced more widespread social risks than people who earned more than four million won during the economic crisis. These results show that low income groups were vulnerable toward social risks like income decline, a decrease in property, unemployment, deterioration of one's health, credit delinquency, depression, and the dissolution of families. People who were older and earned a lower income went through the painful experiences of widespread social risks after the financial crisis.

### Effects of Social Risks on middle class identification

The question now is whether social risks measured by various life events influenced the middle class identification. What kinds of life events or conditions have significantly impacted middle class identification in Korea? To answer these questions, this study conducted a binary logistic analysis taking middle class identification as a dependent variable, and gender, age, education, family income, work status, class categories, and social risks as independent variables. As shown in Table 1, the college educated and those with higher family income are more likely to identify themselves as middle class. Those who are in their thirties tend to think more negatively about their own middle class identification than people in their fifties and over do. Work status and class categories were not significant. Those who have experienced unemployment were less likely to think of themselves as belonging to the middle class. Unemployment proves to be the only significant influential social risk factor for the respondents to abandon their middle class identification. In short, Koreans tend to be seriously affected by economic-oriented factors among the life events they experienced. Unemployment around the economic crisis associates negatively with middle class identification.

### The Effects of Social Risks on the Self-ranked social stratum after Financial Crisis

Then, what factors do affect the self-ranked social stratum ten years after

**TABLE 2**  
**THE RESULTS OF LOGISTIC REGRESSION OF MIDDLE CLASS IDENTIFICATION OF**  
**SOCIAL RISKS AROUND THE ECONOMIC CRISIS, WORK STATUS, CLASS CATEGORY**  
**AND SOCIO-ECONOMIC VARIABLES**

	Model 1 B(exp(B))	Model 2 B(exp(B))
Gender (male)	-.006(.994)	.006(1.008)
Age (20s)	-.163(.849)	-.258(.772)
Age (30s)	-.511(.600)*	-.541(.582)
Age (40s)	-.391(.676)	-.342(.711)
Education (high school)	.306(1.358)	.266(1.305)
Education (college)	.994(2.703)**	1.000(2.719)**
Family income	.003(1.003)***	.003(1.003)***
Work Status (regular worker)	-.261(.806)	-.232(.793)
New Middle Class	-.427(.653)	-.447(.639)
Old Middle Class	-.056(.946)	-.070(.932)
Decrease in property		-.192(.850)
Decrease in Income		-.259(.826)
Unemployment		-.543(.581) *
Increase in job instability		-.257(.773)
Dissolution of family		-.182(.833)
Bankruptcy, credit delinquency		-.466(.628)
Deterioration in health		.021(1.021)
Depression, death wish		-.177(.838)
Constant		-.1735(.176)
-2LL	1044.365	1009.957
N	1,005	1,005

economic crisis? The self-ranked social stratum means the subjective sense of belonging among the ten levels of social groups composed of a hierarchy from bottom to top. This section will first analyze the composite index of self-ranked social stratum. The composite index consists of self-ranked social stratum on income, property, social status, and education.

In order to explore the factors that affect the composite index of self-ranked social stratum the study conducted a regression analysis. The higher family income, the higher he or she is likely to have self-ranked social stratum. People who are in their thirties and forties are more likely to have lower self-ranked social stratum than people in their fifties and over. The higher educated, the higher he or she is likely to hold the self-ranked social stratum (Model 1). Work status and class categories were not significant.

**TABLE 3**  
**OLS REGRESSION OF COMPOSITE INDEX OF SELF-RANKED SOCIAL STRATUM TEN YEARS AFTER THE ECONOMIC CRISIS ON SOCIAL RISKS AND SOCIOECONOMIC VARIABLES**

	Model 1	Model 2	Model 3
Gender (male)	.060(.005)	.069(.006)	.139(.420)
Age (20s)	-.250(-.018)	-.108(-.008)	-.332(-.025)
Age (30s)	-1.820(-.140)***	-1.731(-.133)**	-1.868(-.143)***
Age (40s)	-1.017(-.076)*	-1.036(-.077)*	-.871(-.065)
Education (high school)	2.248(.196)***	2.183(.190)***	2.030(.177)***
Education (college)	4.273(.376)***	4.284(.377)***	4.201(.370)***
Family income	.009(.321)***	.009(.319)***	.008(.295)***
Work status (regular worker)	.164(.015)	-.089(-.008)	-.153(-.014)
New Middle Class		.045(.003)	-.004(.000)
Old Middle Class		.700(.055)	.671(.052)
Decrease in property			.211(.018)
Decrease in Income			-.872(-.078)*
Unemployment			-1.156(-.081)*
Dissolution of family			-.984(-.038)
Bankruptcy, Credit delinquency			.046(.003)
Deterioration in health			-1.331(-.089)**
Depression, death wish			.862(.045)
Decrease in job stability			-1.167(-.089)**
Constant	12.338***	12.264***	13.650***
R <sup>2</sup>	.235	.238	.283
N	990	990	990

However, social risks such as decreases in income, unemployment, decreases in job stability and a deterioration of health are negatively associated with self-ranked social stratum ten years after the economic crisis (Model 3).

People who experienced a decrease in income, unemployment, a decrease in job stability, and poor health around the financial crisis possessed a lower self-ranked stratum ten years after the financial crisis than those who did not suffer such kinds of social risks. Economic factors such as a decrease in income, unemployment and increasing job instability strongly influenced the self-ranked social stratum even ten years after the financial crisis. People who were laid off or suffered from job instability around the economic crisis failed to recover their self-ranked stratum after ten years, while those who suffered from deteriorated health also had a lower self-ranked social stratum ten years after the financial crisis. These results demonstrate that social risks

related with employment such as job loss and job instability have long-lasting impacts on self-ranked social stratum.

Table 4 shows the results of the OLS regression of multiple indicators in self-ranked social stratum on income, property, social status, and education ten years after the economic crisis. In terms of self-ranked social stratum on income, those who have higher family income are more likely to have a higher self-ranked social stratum, as this study first predicted. People who experienced social risks such as family disbandment, deterioration in health, or a decrease in job stability held a lower self-ranked social stratum on income.

In terms of self-ranked social stratum toward property, those who were in their thirties and forties had lower self-ranked social stratum than those are in their fifties and over. The higher education level achieved and the higher family income earned, the higher likely the respondent was held a higher self-ranked social stratum on property. The members of the old middle class had a higher self-ranked social stratum on property. The social risks such unemployment, deterioration in health, and a decrease in job stability around the economic crisis had a negative effect on self-ranked social stratum on property. With regard to self-ranked social stratum on occupational status, respondents the thirties felt themselves belonging to lower subjective social strata than those in their fifties and over. The group of respondents who have suffered from deteriorations in health and a decrease in job stability tended to have lower self-ranked social stratum on social status.

In terms of self-ranked social stratum on education and culture, those in their thirties and forties were more likely to have a lower self-ranked social stratum than people in their fifties and over. People with higher education, higher family income and regular work status tended to have a higher self-ranked social stratum on education and culture. The social risks also negatively influenced the self-ranked social stratum. The experience of a decrease in income around the economic crisis had a negative association with self-ranked social stratum on education and culture.

In general, those with higher education and family income were more likely to hold higher self-ranked social stratum on almost every dimension of subjective social strata. Age groups were also significant, and people in their thirties and forties tended to have lower self-ranked social stratum than those older than them. Class categories such as the old middle class had a positive association with self-ranked social stratum on property. The group of respondents with regular work was more likely to have a higher self-ranked

**TABLE 4**  
**OLS REGRESSION OF MULTIPLE SELF-RANKED SOCIAL STRATUM TEN YEARS**  
**AFTER ECONOMIC CRISIS ON SOCIAL RISKS AND SOCIOECONOMIC VARIABLES**

	Self-ranked social stratum on income	Self-ranked social stratum on property	Self-ranked social stratum on occupational status	Self-ranked social stratum on education
Gender (male)	-.152(-.023)	.087(.028)	-.005(-.002)	.003(.001)
Age (20s)	.136(.017)	-.208(-.055)	-.041(-.011)	-.174(-.044)
Age (30s)	-.400(-.051)	-.679(-.187)***	-.428(-.120)**	-.468(-.122)**
Age (40s)	.297(.037)	-.376(-.101)**	-.193(-.053)	-.303(-.077)*
Education (high school)	.401(.058)	.394(.123)**	.417(.132)**	.815(.241)***
Education (college)	.696(.102)	.851(.268)***	.992(.318)***	1.501(.448)***
Family income	.003(.185)***	.002(.238)***	.002(.280)***	.002(.226)***
Work status (regular worker)	.193(.029)	-.125(-.040)	-.096(-.031)	.005(.002)*
New Middle Class	-.222(-.026)	-.038(-.009)	.133(.034)	.020(.005)
Old Middle Class	.319(.042)	.300(.084)*	.194(.055)	.070(.019)
Decrease in property	.182(.026)	-.161(-.049)	.079(.025)	.286(.083)*
Decrease in Income	-.225(-.033)	-.196(-.063)	-.165(-.054)	-.342(-.103)**
Unemployment	.001(.000)	-.388(-.098)**	-.209(-.054)	-.142(-.034)
Dissolution of family	-1.098(-.071)*	-.206(-.028)	-.329(-.046)	-.176(-.023)
Bankruptcy, Credit delinquency	.581(.056)	-.078(-.016)	-.103(-.022)	.288(.056)
Deterioration of health	-1.072(-.119)**	-.412(-.098)**	-.322(-.078)*	-.261(-.059)
Depression, death wish	1.709(.148)	.237(.044)	.104(.020)	.163(.029)
Decrease in job stability	-.871(-.110)**	-.238(-.065)*	-.264(-.073)*	-.228(-.059)
Constant	3.253***	3.659***	3.325***	3.248***
R <sup>2</sup>	.100	.205	.238	.231
N	991	991	991	991

social stratum on education and culture than those with a non-regular work status. Some social risks had negative association with self-ranked social strata. Social risks such as deterioration in health and a decrease in job stability in particular had a bad influence on self-ranked social stratum on income, property, and occupational status.

## Conclusion

The middle class has enjoyed significant improvement in its standard of living throughout Korea's economic development process. The financial crisis in 1997 fundamentally transformed the density of the middle class and middle class identification declined rapidly in Korea. Thus, it seems that the economic crisis has had a more considerable negative impact on the lives of ordinary Koreans.

Since the late 1990s when the Korean economy faced financial crisis, the problem of a non-regular workforce has become one of the most controversial issues in Korean society. The number of non-regular workers reached almost six million people in 2011, a number which constitutes 33.3% of the total workforce (KNSO 2012), and on average, non-regular workers earned only 59.5 percent of regular workers' wages monthly (MOEL 2010). In general, non-regular workers have to work in unstable, lower-paid and poor working conditions without proper fringe benefits and insurance. The conditions for workers vary by the size of the firms and non-regular workers in larger firms are better off than regular workers in small and medium-sized firms with respect to wage and working conditions. In fact, over 70 percent of non-regular workers work in small firms with less than 30 employees (KNSO 2012).

Which changes influenced the decline of middle class identification around the economic crisis? If we control the socioeconomic variables such as gender, age, education and family income, unemployment was the strongest factor in reducing middle class identification significantly. Unemployment is the only negative life experience so disastrous to have an effect on people abandoning middle class identification. In light of these results, this study recognizes what impact middle class identification has on employment in Korean society.

The analysis of the relationship between social risks and the self-ranked social stratum also reveal the negative impact of the economic crisis. Ten years after the crisis, job instability has been the longest lasting consequence

in Koreans self-identifying themselves with a low social stratum, while personal well-being such as illness around the financial crisis has also consistently influenced how people self-identify themselves. The multiple indicators of self-identified social stratum on income, property, and occupational status are commonly associated negatively with job instability and deterioration in one's health. Subjective socioeconomic status has been associated with self-reported health even after controlling for the traditional measure of SES (Operario et al. 2004; Demakakos 2008).

Those who are in their thirties and forties are likely to have a lower self-ranked social stratum. The economic crisis in Korea has directly affected people in their thirties and forties who have been economically active in the labor market, but have found themselves in danger of being laid off. They were in twenties and thirties around the economic crisis, and also met with a difficulty in finding employment at that time. These results lead us to the conclusion that employment and job stability are the crucial factors holding up middle-class identification and self-ranked social stratum even after ten years have passed since the economic crisis. Physical health status was also significant in having a positive effect on self-ranked social stratum.

People who have regular work are likely to have a higher self-ranked social stratum on education and culture. After the economic crisis, there was a drastic increase in non-regular workers who suffered from job instability and low income. The positive association between regular work status and self-ranked social stratum on education and culture implies that regular work status has become representative of an advantageous social standing.

The impact of the economic crisis in Korea was enormous in economic, social and personal terms. The various social risks which one and one's family underwent during and around the economic crisis had important effects on many personal life. This research suggests that middle class identification and self-identified social stratum are good barometers to understand how Koreans have been affected by social risks since the financial crisis.

Recently, social policies in the flexible labor market have been making rapid progress. The workforce policies of the government were meant to solve the mismatch of manpower supply and demand by increasing non-regular workers. These flexible labor market policies, including flexible employment, dismissal, shift work, and atypical work have created an increasing number of non-regular workers and have deteriorated their job stability. These days, except for the self-employed (the old middle class), all classes, including the new middle class and the working class, are at risk of job instability. However, no solid active labor market policies aimed at creating good jobs and

improving human capital have been implemented yet. In order to manage social risks, the Korean government needs to carry out an expansion of public welfare, promote an active labor market policy and activation policy, socialize healthcare, and cultivate a new social security system.

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## Appendix

TABLE 1

Variables	N	mean	min	max	S.D.
<Independent variable>					
Gender (male)	1005	0.49	0	1	.500
Age	1005	2.62	1	4	1.14
Education	1005	2.22	1	3	.751
Household income	996	307.62	0	1630	202.62
Employment status (regular worker)	693	.77	0	1	.42
Social risks	1001	1.46	0	7	1.67
<Dependent variable>					
Middle class identification	1005	.28	0	1	.45
Self-ranked social stratum1 (income)	1005	4.36	1	10	1.50
Self-ranked social stratum2 (property)	1005	4.14	1	10	1.56
Self-ranked social stratum3 (social status)	1005	4.20	1	10	1.54
Self-ranked social stratum4 (education)	1005	4.42	1	10	1.65
Self-ranked social stratum5 (total)	1005	4.27	1	10	1.44